

The European fitness and active leisure sector represents approx. 27 billion euro in revenues and employs roughly 650,000 people in 55,000 facilities. With the overall economy in a more positive mode, the pace of change is unprecedented. The rise of technology, availability of capital, entrepreneurship and disruptive start-ups have changed the fitness landscape forever. To survive, companies need to be more agile and innovative than ever.

At the heart of these agile and innovative organisations lie engaged and committed employees, which are the human capital of companies. The organisations that are thriving in the present day economic landscape have been able to harness the power of engagement and commitment to outperform their competition.

Take great care of your employees and they will take great care of your clients

RICHARD BRANSON

In identifying what employees want from work research (2017, Effectory International Global Employee Engagement Index) has found that company culture, the freedom to work and perform, exceptional leaders, and inspiring immediate managers are the four key factors in employee engagement. The fitness sector is currently experiencing several interesting developments.

On the one hand the rise of budget clubs, where the business model requires a minimum of staff to reduce cost and a maximum of automation or self-service. On the other hand, the rise of boutique concepts that focus on an enhanced customer experience, high personal service levels and high quality and unique personalities of the staff; the trainers in these formats are often stars who have a strong following on social media. No matter what business model is applied, the people element is crucial for success in any business.

The sector has seen a high degree of further professionalisation in all respects in the last decade. An important factor has been investment from the private equity sector to facilitate growth and stimulate consolidation and international expansion. These investors have also brought in expertise from other sectors that have impacted the speed of growth, both through professional managers and the capital for accelerated growth.

This growth in the (inter-) national chains, growth in franchising concepts, increased internationalisation, the arrival of new concepts and increased influence of technology and complexity represent new challenges for the management of organisations. Of course, the larger the organisation and the more diverse and international the more important it is to have good team leaders.

It should be mentioned however, that a big part of the fitness and leisure sector consists of small and medium sized companies that in many cases are privately owned and where the owner in most cases plays an active role in the day-to-day management. The uniqueness of the sector, both for large, medium and small sized companies, lies in how to help people to lead healthier lives, and this is put into practice by the staff that has a direct customer interface. Let's first have a closer look at what literature has to say about human capital.

1.2 Six kinds of crucial capital

The focus in this book is on human capital, but this is not the only type of capital needed to build a successful business in fitness and leisure. Thomas and McElroy (2016) developed the multi-capital scorecard and discuss six kinds of capital your business can't survive without. Capitalism hasn't just been about financial capital. Whether or not people are aware of it, companies deal every day with different kinds of capital. Besides money, fitness and leisure rely on human labour, on land, water, energy, machinery, and communities. Here are the six kinds of capital to focus on:

- Natural capital. This includes natural resources we rely on, as well as ecosystem services such as climate regulation.
- Human capital. This includes knowledge, skills, experience, health, attitudes and motivation of individuals.
- Social and relationship capital. This consists of teams, networks and groups of individuals working together, and includes their shared intellectual capital.
- Constructed capital. This consists of material objects, systems or ecosystems created or cultivated by humans.
- Internal economic capital. This includes financial capital (funds available, including debt and equity finance), and non-financial capital (for example the value of your brand).
- External economic capital. This considers the impact an organisation has on the financial and non-financial capital of other entities (for example, a new factory may reduce or increase real estate values nearby).

The idea behind different types of capital are coined by John Elkington in 1997, referring to three dimensions; financial, social and environmental. The conceptual idea of this can be traced back to 1713 by Hans Carl von Carlowitz (*Sylvicultura Oeconomica*). To conclude; a multi-dimensional approach is for sure not something that was created recently.

The emerging field of corporate sustainability, which translates the ideal of sustainable growth respectful of all stakeholders into pragmatic action points, has been searching for a way to quantify the other forms of capital in the same way we quantify financial capital. However, Thomas and McElroy (2016) wonder whether we are trying to squeeze a square peg into a round hole. They suggest that natural, social and other forms of capital be evaluated not in financial terms, but on their own terms. McElroy and Thomas (an ex-Unilever finance executive in the UK), created the multi-capital scorecard, a measurement and reporting system. Using the scorecard, a company can assess organisational performance in terms of impact on all the types of capital, and not just in economic terms. The scorecard assesses performance relative to organisation-specific sustainability standards of performance.

1.3 Human capital in literature

Human capital can easily be seen as a container term as a broad and generic theme that includes many different elements. Wikipedia describes the theme as: human capital is a term popularised by Gary Becker, an economist from the University of Chicago, and Jacob Mincer. It refers to the stock knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. Alternatively, human capital is a collection of traits, all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof. Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.

Another definition comes from businessdictionary.com. Here human capital is described as health, knowledge, motivation, and skills, the attainment of which is regarded as an end in itself (irrespective of their income potential) because they yield fulfilment and satisfaction to the possessor. In an organisational context, human capital refers to the collective value of the organisation's intellectual capital (competencies, knowledge, and skills). This capital is the organisation's constantly renewable source of creativity and innovativeness (and imparts it the ability to change) but is not reflected in its financial statements. Unlike structural capital, human capital is always owned by the individuals who have it, and can 'walk out the door' unless it is recorded in a tangible form, or is incorporated in the organisation's procedures and structure.

Human capital is a measure of the economic value of an employee's skill set. This measure builds on the basic production input of labour measure where all labour is thought to be equal.

3.1 Introduction

In today's world, businesses and their leaders are facing numerous serious challenges. Technology is changing the way people live, work and behave. Economic and social changes are altering the balance of power between developed and high-growth markets. Millions of people are emerging and migrating from their homelands to the land of their dreams. Resource shortages and environmental threats are demanding change. The speed of change is ever increasing. Every day more innovations are seeing the light and are impacting our businesses and the way they operate. Current leaders in the fitness and active leisure sector must be prepared and equipped to be able to deal with all these challenges to remain successful in the future. Importantly, leaders must be able to deal and manage the conflict between the short term (meeting this quarters' expectations of the investors) and the long-term of building a truly sustainable business.

In preparing for the long-term they must consider the following:

- *Rethink* their playing field. Asking themselves in which markets do we want to compete? Who are the key players in this future market or segment? How are customers' needs changing? How do we get the right people in the organisation and how do we keep them engaged and motivated?
- *Redefine* the ambition. The purpose of the organisation matters. It does explain why the organisation exists. It helps all stake holders to understand what they can expect from the company. A well-articulated vision is a key enabler in preparing for the future.
- *Reshape* how we work. Are old-fashioned hierarchies still relevant? Should they be replaced by independent employees who are free to work as they see fit, within a clear framework, using the power of shared values to guide people's actions.

Some scientists predict that robots will replace humans. If you believe that this will happen, you must accept the fact that machines will make our human race extinct. I do not believe this for a second. For sure, certain types of activities will be taken over by machines, computers and robots. But this not mean that we do not need humans. I believe that the evolution of mankind will also continue. We will adapt to the new requirements, fulfilling unmet and not yet defined roles, activities and responsibilities. If today's leaders in the fitness and active leisure sector are not able to change themselves and their organisations, they will face decline and profit losses. It is their obligation to prepare their employees for the challenges of the next decades and invest in their human capital.

3.2 Tapping into the power of employees

Unfortunately, it is not uncommon for leaders to view employees as just another resource input. The focus is on salary and output, with companies looking for the cheapest sources of labour for defined tasks. Offshoring and outsourcing to low-cost providers and locations have grown dramatically because of this level one kind of behaviour.

The war on talent has encouraged organisations to move to level two. Here, the focus is on developing, motivating and rewarding the best and most capable employees. They see their people as their most important asset. Relationships emphasise loyalty and contribution in return for salary, benefits and career opportunities.

At the third level, companies begin to genuinely consider and respond to employees' expectations of their jobs. This is partly driven by recognition that these workers are extremely mobile and perfectly happy to move company if their needs are not met. These millennials want to work for a company that they believe in and where they can have a genuine impact. Reaching this level means breaking away from the limits of traditional job definitions and building commitment and passion in employees so that they can contribute to the firm's success. Ownership of the employee relationship must move out of the HR department, to the broader leadership of the organisation.

The fourth level of employee relationship is reached when organisations start engaging individual employees in creating the business itself, not just from top-down, but across the entire organisation. It gives employees a great opportunity to use their entrepreneurial spirit to shape the future of the organisation.

EnPro Ltd. is a US based company in engineered products and is a good example of an organisation that has moved into level four. It is a dual bottom-line company where shareholder and employee interests are equally important. The purpose of the company declares that it is the objective to provide each employee with the possibility to develop and fulfil their own, individual, purpose in life. Every single employee of the company is taken through a series of courses, led by senior employees, to help the employees to reach these objectives. Safety is the most important KPI followed by the financial KPI's. The company is now moving towards self-managed teams. All people survey indicators are well above industry levels. There is more information about the EnPro way of doing business on their website.

When a leader can unleash the power of its employees, the organisation will become an unbeatable force. New generations, starting with the millennials, want to be empowered to fulfil their tasks their way. They dislike tight frameworks and are more effective if the framework is more like a set of guiding principles. After completing a task, they will become even more motivated if they get recognition for what they have achieved. A mention, a word of praise or an opportunity present their conclusions to the very top of the organisation, achieves more than just another salary raise or bonus. It is important to show people that they really matter.

Lastly in this part, I must mention the importance of diversity. This is a loaded word and directly linked to quota for gender diversity. Of course, it is part of designing truly diverse teams. But diversity goes much deeper than that. Traditionally organisations have the tendency to select “look-a-likes”. If one wants to succeed in today’s world one should create teams that are diverse in style, age, race and gender. And last but not least surround yourself with the very best people. Go even further than that to find members of your team that are better than you in total or in the area for their specialisation.

3.3 Purpose and values

At one of the companies I have been associated with I once challenged the CEO on the absence of a vision statement for the company. He told me in crystal clear words, that he did not want to discuss “vision” until they had met the expectations of the market for eight quarters in a row (read: analysts and investors). I argued that it was important for a leader to tell his people where he wants to take the company. That the organisation wants to get a feeling for the type of firm the leader wanted to create. That they wanted to know whether the company would care for the environment and would take upon itself some responsibility for contributing to the delivery of one or two of the millennium goals. It was like talking against a brick wall. The delivery of the short-term results was more important than expressing a view, or providing a sense of direction, or putting a dot on the horizon. This CEO was stuck in the short time.